Brown & Williamson Tobacco Corp - Advertising - 1986

Advertising Age, September 4, 1986

Batus Industries			RANK 44
Louisville, Ky.			
($ in millions)			
Worldwide	[illegible]	[illegible]	[illegible]
Sales	[illegible]	[illegible]	[illegible]
Net income	[illegible]	[illegible]	[illegible]
U.S. advertising	[illegible]	[illegible]	[illegible]
Division sales	[illegible]	[illegible]	[illegible]
Tobacco	[illegible]	[illegible]	[illegible]
Retail	[illegible]	[illegible]	[illegible]
Paper	[illegible]	[illegible]	[illegible]

Batus Inc. announced in January that it would sell six of its retailing businesses, including New York-based Gimbels Department Stores, or 40% of its U.S. retail business. By mid-July, agreements had been reached on the sale of 77 of 93 stores.

The divestiture is a result of low profits and incremental growth in recent years. Operating income from retailing rose only 2% in 1985 over the previous year, and only 0.9% in 1984 over 1983. As a result of the discontinued retail operations, Batus, the U.S. subsidiary of London-based B.A.T Industries plc, took a $130 million loss while recording $164 million in net income in 1985, a 47.8% decrease from 1984.

Batus decreased the amount it spent on magazine advertising in 1985 by about $13 million. However, it increased its spending on outdoor advertising by about $10 million, and slightly increased spending on newspaper and spot radio, to bring its total measured advertising outlays in line with 1984.

The largest share of Batus' advertising budget is allocated to its tobacco group, Brown & Williamson Tobacco Corp., which received $52.8 million in measured advertising for its tobacco products last year, down 10%, according to Leading National Advertisers. The expenditure accounted for 54% of total measured ad spending at Batus.

B&W's share of the total domestic cigaret market increased in 1985 from 11.3% to 11.8%, due mostly to its 26.4% share of the popular price-value market. B&W is in second place in this segment of the market, behind leader Grand Met's Liggett & Myers Tobacco Co., Louisville, and slightly ahead of RJR/Nabisco.

With the introduction in 1985 of its Richland brand, B&W entered the value-for-money segment of the tobacco industry. Richland was B&W's first new product introduction since 1981. Richland offers smokers 25 cigarets for the same price as regular 20 packs. B&W spent more than $12.5 million on measured advertising for Richland in 1985, second only to its flagship brand, Kool.

The company scored a marketing coup in 1985 when it reached an agreement with Generic Products Co., Fort Worth, Tex., to make its GPC-approved cigarets. Richland and the generic labels were the major factors contributing to B&W's overall share increase.

Although B&W's share of the total market increased in 1985—one of only three companies to post gains—the increase was not aided by the performance of B&W's full-priced brands. B&W's flagship, Kool, the fourth largest selling cigaret brand in the U.S., achieved a 6.7% market share last year, compared with a 7% share in 1984. The company increased measured spending 11.9% to $29 million to advertise the Kool line, mostly in magazines and outdoor advertising. Kool King Size 25s and Kool Milds 25s also were introduced in selected markets during 1985.

B&W's ultra-low tar cigaret, Barclay, which has less than 1% of the market, continued its market decline in 1985. As a result, B&W began testing a reformulated Barclay. Although the company says it hopes the new Barclay will be a success, it cut ad spending for the cigaret in half last year, to only $4.4 million.

The tobacco company overhauled its advertising agency lineup early this year, much as it did in 1984. B&W dropped Doyle Dane Bernbach as its agency for Kool and assigned creative responsibilities to Ogilvy & Mather, Chicago, which already handled media buying and planning for all B&W brands, including Kool.

In restructuring its retail operations, Batus hoped to concentrate on stores it believed had the greatest potential for growth and profitability. Saks Fifth Avenue, which B.A.T bought from the Gimbel family in 1973, saw increased operating income last year of 7% on sales that increased 6%.

Analysts say Saks has rebounded from a period when it failed to keep up with its major competitors in pricing and fashion. Saks opened a new store in San Antonio, Tex., in 1985 and opened replacement stores in Southampton, N.Y., and Palm Springs, Cal. The store also is renovating and modernizing its facilities. Batus spent nearly $1.5 million on measured advertising for Saks in 1985, down 33% from 1984.

Batus' Marshall Field's stores saw an improvement in sales of 8% and in operating profits of 6%. Measured ad spending remained relatively unchanged at $2.3 million. Marshall Field's is the major retailer in the Chicago area, where most of its 21 stores are located. Analysts say that until Batus bought Field's in 1982, the store had failed to compete with specialty stores that had entered the Chicago market.

Batus set out to modernize its facilities and seek professional management, tasks that analysts say have been completed and are the key to the store's new success.

Batus is also retaining its Ivey's stores, in the Carolinas and Florida; its Breuners stores in Arizona, California and Nevada, and its Thimbles stores in the Midwest and the Northeast.

Batus' three Crescent stores, all in Spokane, Wash., and its 13 Frederick & Nelson stores, in Washington and Oregon, have been sold to a group of investors in Seattle. They will continue to operate as retail stores under their present names. Additionally, Batus' 39 Kohl's stores, all in the Midwest, have been sold and will continue to be operated as they are.

Of Gimbels' nine Midwest stores, five have been transferred to Marshall Field's. Batus is discussing the sale of the other four with possible buyers, according to a Batus spokesman. In Pittsburgh, four have been sold to May Department Stores and negotiations with buyers are under way for three units. Ten Gimbels stores in the East have been sold to Allied Stores Corp. and one to Associated Dry Goods. Eight others, including Gimbels' New York flagship, still are being negotiated.

Also as a part of Batus' retail restructuring, it announced that its chairman and chief executive, Arnold Amsden, would resign after a transition period. Also leaving would be M. Ronald Rankin, Batus retail president.

ADVERTISING EXPENDITURES

($ in thousands)	1985	1984
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

BATUS INC.
[illegible]

APPLETON PAPERS INC.
Appleton, Wis.
Corporate Personnel
John W. Tucker, [illegible]

[illegible — personnel and advertising agency listings for Brown & Williamson Tobacco Co., Ivey's Carolina, Ivey's Florida, Marshall Field's, Saks Fifth Avenue, Thimbles]

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